

# **ARKANSAS FIDELITY BOND TRUST FUND**

Administered By

## **THE ARKANSAS GOVERNMENTAL BONDING BOARD**

**C/O ARKANSAS INSURANCE DEPARTMENT, RISK MANAGEMENT DIVISION**

**1200 W. Third Street**

**Little Rock, Arkansas 72201-1904**

**BLANKET DISHONESTY BOND**

**Policy No. FBTF10**

In consideration of the agreed premium, the Arkansas Fidelity Bond Trust Fund as administered by the Governmental Bonding Board (the "Surety"), hereby agrees to indemnify the Insureds against actual losses which the Insureds shall sustain or for which the Insureds shall incur liability to any other agency through fraudulent or dishonest act or acts committed by any Employee, Employees, Official or Officials of the Insureds, acting alone or in collusion with others. The amount of indemnity on each occurrence shall be limited to a maximum of **Two Hundred Fifty Thousand** (\$250,000.00). Each occurrence shall be subject to a **One Thousand Dollar** (\$1,000.00) deductible.

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### **THE FOREGOING AGREEMENT IS SUBJECT TO THE FOLLOWING CONDITIONS AND LIMITATIONS:**

#### **1. BOND PERIOD**

The bond period begins on August 13, 2001 and ends on the effective date of cancellation of this bond in its entirety. Both dates are 12:01 a.m., Standard Time, at the mailing addresses of the Insureds.

#### **2. DISCOVERY PERIOD**

Loss is covered under the bond only if sustained through any act or acts committed by any Employee or Official of the Insureds while this bond is in force as to such Employee or Official.

#### **3. DEFINITIONS**

- a.** "Insureds" means State, Counties, Municipalities and School Districts;
- b.** "State" means the State of Arkansas;
- c.** "County" or "Counties" means the county or counties of the State of Arkansas;
- d.** "Municipal", "municipality", or "municipalities" refers to or means municipalities of the State of Arkansas;

- e. "School District", or "School Districts" means the school districts of the State of Arkansas;
- f. "State Officers and Employees" means all elected and appointed salaried officials of the State and their salaried State employees, the salaried officials and salaried employees of all State boards and commissions, members of the General Assembly and the non salaried members of the various State boards and commissions;
- g. "State Public Official" or "State Public Employee" means any elected or appointed salaried officer of the State of Arkansas and the salaried governmental employees of any such elected or appointed officer, members of the General Assembly and the non salaried members of the various State boards and commissions;
- h. "County Public Official" or "County Public Employee" means any elected officer of the counties and the employees or deputies of any elected officer, members of the Quorum Court and the members of the various county boards and commissions, but excluding officials and employees of county hospitals, county nursing homes and conservation and improvement districts;
- i. "Municipal Public Official" or "Municipal Public Employee" means any elected officer of the municipalities and the employees or deputies of any elected officer, specifically including salaried municipal employees of municipality owned utilities, members of the city council including the mayor and the members of the various municipal boards and commissions, but excluding officials and employees of municipal hospitals, nursing homes and improvement districts;
- j. "School District Public Official" or "School District Public Employee" means all school district salaried officials and salaried school district employees whether elected or appointed, and the members of local school boards of directors;
- k. "Employees" in any of the capacities set forth above shall also include volunteers who work without compensation but do perform a function for the governmental entity as though they were paid employees and are recognized as functioning as employees;
- l. "Deductible" means the amount of covered loss, which must be incurred by the Insured before benefits become payable by the Surety. The deductible amount shall remain uninsured by the Surety. The deductible shall be waived on payment of duplicate State Employees payroll and expense warrants;
- m. "Occurrence" means all losses caused by, or involving, one or more "Employees" or "Officials", whether the result of a single act or series of acts;
- n. "Money" means currency, coins and bank notes in current use and having a face value, travelers checks, register checks and money orders held for sale to the general public;
- o. "Securities" means negotiable and nonnegotiable instruments or contracts representing either money or other property and includes:
  - i. tokens, tickets, revenue and other stamps in current use, whether represented by actual stamps or unused

- value in a meter; and
  - ii. evidences of debt, other than money, in connection with credit or charge cards; and
- p. "Property other than money and securities" means any tangible property, other than money and securities that has intrinsic value. Coverage for loss of property other than money and securities under this bond shall be limited to the actual cash value of the property on the day the loss was discovered.

#### **4. FRAUDULENT OR DISHONEST ACT**

- a. A fraudulent or dishonest act of an Employee or Official of the Insureds shall mean an act, involving fraud, dishonesty or breach of trust, which is punishable under the Criminal Code in the jurisdiction within which the act occurred, for which said Employee or Official:
  - i. could be tried and convicted by a court of proper jurisdiction or
  - ii. pleads guilty or nolo contendere or
  - iii. is found guilty.

#### **5. AUDIT REQUIREMENT**

Each Insured shall procure an audit or other statutorily allowed examination of its books and records, for each fiscal year ending after January 1, 1995. If an audit or other statutorily allowed examination of an insured is not conducted by the Division of Legislative Audit, the Insured shall procure an audit of its books and records by accountants in good standing with the Arkansas State Board of Public Accountancy in accordance with Governmental Auditing Standards issued by the Comptroller General of the United States. Such audits must be completed within twenty-four (24) months of the close of each Insured's fiscal year. All audit reports revealing or disclosing unauthorized expenditures, asset shortages or unaccounted for funds shall be forwarded immediately upon completion to the Division of

Legislative Audit, the State Risk Manager and the appropriate prosecuting attorney. The audit requirements of this section shall apply to the books and records of each segment or component of each Insured. Coverage under this bond shall not apply to losses sustained by an Insured when said Insured has not complied with the audit requirements of this section.

#### **6. LOSS CAUSED BY UNIDENTIFIED EMPLOYEE**

If a loss, excluding a loss of property other than money and securities, is alleged to have been caused by the fraud or dishonesty of any one or more Employees or Officials and the Insureds or the Division of Legislative Audit shall be unable to designate the specific Employee or Official causing such loss, the Insureds shall nevertheless have the benefit of this bond, provided that the evidence submitted reasonably proves that the loss was in fact due to fraud or dishonesty of one or more of said Employees or Officials, and provided further that the aggregate liability of the Surety shall not exceed the amount of indemnity heretofore specified.

#### **7. NON-ACCUMULATION OF LIABILITY**

Regardless of the number of years this bond shall continue in force and the number of premiums which shall be payable or paid, the liability of the Surety under this bond shall not be cumulative in amounts from year to year or from period to period.

#### **8. OTHER INSURANCE**

This bond does not apply to losses recoverable or recovered under other bonds or policies. However, if the limit of the other bonds or policies is insufficient to cover the entire amount of the loss, this bond will apply to that part of the loss, other than that falling within the deductible amount of this bond, not recoverable under the other bonds or policies, but not for more than the Limit of Coverage under this bond.

#### **9. RECOVERIES**

If the Insureds shall sustain any loss covered by this bond which exceeds the amount of

indemnity provided by this bond, the Insureds shall be entitled to all recoveries (except from suretyship, insurance, reinsurance, security or indemnity taken by or for the benefit of the Surety) by whomever made, on account of such loss under this bond until fully reimbursed, less the amount of the deductible; and any remainder shall be applied to reimbursement of the Surety. Any recoveries of the deductible received by an Insured and not reimbursed to the Surety, shall be deducted from future indemnity payments under this bond to the Insured and/or withheld from the Treasury Funds of the Insured only to the extent that the Surety has not been reimbursed for the amount of its Indemnity.

#### **10. TRANSFER OF THE INSURED'S RIGHTS OF RECOVERY AGAINST OTHERS TO THE SURETY**

The Insured must transfer to the Surety all its rights of recovery against any person or organization for any loss it sustained and for which the Surety has paid or settled. The Insured must also do everything necessary to secure those rights and do nothing after loss to impair them.

#### **11. CANCELLATION AS TO ANY EMPLOYEE**

This bond shall be deemed cancelled as to any Employee or Official:

- a.** Immediately upon discovery by the Insured of any fraudulent or dishonest act on the part of such Employee or Official; or
- b.** at 12:01a.m., Standard Time, upon the effective date specified in a written notice served upon the Insured or sent by mail. Such date, if the notice be served, shall be not less than ten days after such service, or if sent by mail, not less than fifteen days after the date of mailing. The mailing of notice by Surety, as aforesaid, to the Insured at a principal office shall be sufficient proof of notice.

#### **12. CANCELLATION AS TO THE BOND IN ITS ENTIRETY**

This bond shall be deemed cancelled in its entirety at 12:01 a.m., Standard Time, upon the effective date specified in a written notice served by the Insureds upon the Surety or by the Surety upon the Insureds, or sent by mail. Such date, if served by the Surety, shall be not less than ten days after such service, or if sent by the Surety by mail, not less than fifteen days after the date of mailing. The mailing by the Surety of notice, as aforesaid, to the Insureds at the mailing addresses of the Insureds shall be sufficient proof of notice. The Surety shall refund to the Insureds the unearned premium computed pro rata if this bond be cancelled at the instance of the Surety, or at short rates if cancelled at the instance of the Insureds.

#### **13. PRIOR FRAUD, DISHONESTY OR CANCELLATION**

No Employee or Official, to the best of the knowledge of any Insured, has committed any fraudulent or dishonest act in the service of the Insured or otherwise. If prior to the issuance of this bond, any fidelity insurance in favor of any Insured and covering one or more of the Insured's Employees or Officials shall have been cancelled as to any such Employee or Official by reason of:

- a.** the discovery of any fraudulent or dishonest act on the part of such an Employee or Official, or
- b.** the giving of written notice of cancellation by the Insurer issuing said fidelity insurance, whether the Surety or not, and if such Employee or Official shall not have been reinstated under the coverage of said fidelity insurance or superseding fidelity insurance, the Surety shall not be liable under this bond on account of such Employee or Official, unless the Surety shall agree in writing to include such Employee or Official within the coverage of this bond.

#### 14. EXCLUSIONS

- a. Coverage under this bond shall not apply to losses sustained by the Insureds as a result of:
  - i. Liability imposed upon or assumed by the Insureds to exonerate or indemnify an Employee or Official from or against liability insured by such Employee or Official in the performance of duties; or
  - ii. damage for which the Insureds are legally liable as a result of:
    - 1. deprivation or violation of the civil rights of any person by an Employee or Official; or
    - 2. the tortuous conduct of any Employee or Official, except conversion of property of other parties held by the Insureds in any capacity; or
    - 3. losses sustained by any party other than the Insured; or
- iii. loss of property other than money and securities, excluding only loss of property other than money and securities for which the Insured or the Division of Legislative Audit shall designate the specific Employee or Official causing such loss; or
- iv. any fraudulent or dishonest act or acts committed by any Employee of the Insureds known by the Insureds to have pleaded guilty or nolo contendere or have been found guilty of any criminal offence committed in connection with the Employee's job duties with the Insured.
- b. Coverage under this bond shall not apply to losses sustained by a Public Utility through fraudulent or dishonest act or acts committed by Municipal Employees. Public Utility means any utility other than a Government owned utility.

**Authorized Signature:**

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**Mike Pickens, Chairman**  
**ARKANSAS GOVERNMENTAL BONDING BOARD**

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**August 3, 2001**  
**Date**